CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Adopt resolution authorizing the City Manager to execute Exhibit B of the Master Power Purchase and Sale Agreement between the City of Lodi and the State of California Department of Water Resources (EUD)

MEETING DATE: October 30, 2001

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council adopt a resolution authorizing the City Manager to execute Exhibit B of the Master Power Purchase and Sale Agreement between the City of Lodi and the State of California Department of Water Resources.

BACKGROUND INFORMATION: For nearly five months, City staff and the State of California Department of Water Resources (DWR) have been negotiating the terms and conditions of the development of a peak power generating plant to be located with the City limits of Lodi. DWR purchases power for two of the State's largest investor-owned utilities as a result of the "meltdown" of California's power markets at the beginning of the year.

DWR has determined that the State would benefit from additional peak generating capacity and City staff has determined that an appropriately designed and located peaking facility would be advantageous to the reliability and energy security of City of Lodi electric customers.

City staff is now seeking Council approval to proceed with the development of a 43-45Mw peaking power generating facility with the Lodi City limits. The basic parameters of the transaction is as follows:

- Lodi would develop the new peaking plant.
- Lodi would finance the plant through the issuance of bonds.
- Lodi would own and operate the plant.
- Lodi will retain the right to recall up to 22Mw of capacity commencing July 1, 2005.
- DWR would pay Lodi a fixed and variable monthly amount for the fifteen (15) year term of the agreement.
- DWR would supply the fuel or pay Lodi to supply the fuel for the plants output.
- After the fifteen (15) year term of the agreement, the plant output would belong to Lodi without further obligation to DWR.

City staff respectfully requests City Council authorization for the City Manager to execute Exhibit B – Master Power Purchase and Sale Agreement Confirmation Letter (2001 B Transaction – Peaking Capacity) between the City of Lodi and DWR. Exhibit B is in substantially final form. It should be noted that Council's authorization of Exhibit B is contingent upon an appropriate site being located within the City limits of Lodi as contemplated under all appropriate provisions of the California Environmental Quality Act. Additionally, Council's authorization is contingent upon the City's ability to finance the project.

A complete financial pro forma statement related to the plant will be prepared in conjunction with the financing of the project. The financial analysis will be presented to the Council in conjunction with its consideration of City staffs financing request at a future date.

APPROVED: _____
H. Dixon Flynn - City Manager

CITY OF LODI

COUNCIL COMMUNICATION

FUNDING: Through existing Bulk Power Purchases

Alan N. Vallow
Electric Utility Director

ANV/lst

C: City Attorney

APPROVED: _____
H. Dixon Flynn - City Manager

EXHIBIT B

MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER
(2001B Transaction--Peaking Capacity)

This confirmation letter shall confirm the Transaction agreed to on _____, 2001 between the City of Lodi ("Party A") and State of California Department of Water Resources with respect to its responsibilities pursuant to California Water Code Section 80000 *et seq.* regarding the Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: City of Lodi, Electric Utility Department

Buyer: State of California Department of Water Resources

Product:

[] Into _____, Seller's Daily Choice

[] Firm (LD)

[] Firm (No Force Majeure)

[] System Firm

(Specify System: _____)

☒ Unit Firm – See Special Condition 2 below.

[] Other:

[] Transmission Contingency (If not marked, no transmission contingency)

[]	FT-Contract Path Contingency	[]	Seller	[]	Buyer
[]	FT-Delivery Point Contingency	[]	Seller	[]	Buyer
[]	Transmission Contingent	[]	Seller	[]	Buyer

[] Other transmission contingency

(Specify: _____)

Quantity: The contract Quantity of the Unit Firm Product (if any) shall be determined for each month throughout the Delivery Period (as defined below) as follows:

1. From the Commercial Operations Date ("COD") through May 31, 2005, as the Net Demonstrated Capacity ("NDC") of the Facility, as determined pursuant to Special Condition 4, as dispatched by Buyer pursuant to Special Condition 8; and

2. From June 1, 2005 until the end of the Delivery Period, as the most current NDC of the Facility, as determined pursuant to Special Condition 4, less any Call-Back Capacity, as dispatched by Buyer pursuant to Special Condition 8;

Where:

The expected value of the NDC of the Facility is equal to 43 MW (the "Contract Capacity");

The COD is determined pursuant to Special Condition 3, and is expected to be _____, 2002; and

Call-Back Capacity is determined pursuant to Special Condition 5.

Delivery Point: The Delivery Point for the Unit Firm Product shall be the Industrial Substation, 60 kV bus, located in Lodi, California, which is part of the CAISO-controlled transmission grid in the NP-15 zone.

Contract Price: The Contract Price for the Unit Firm Product (if any), in total dollars, shall be determined each month as the sum of the following charges:

Capacity Charge

For each month, the product of 1) $7.65/kW-month (the "Base Capacity Price", as may be adjusted pursuant to Special Condition 6), and 2) the Quantity in effect for the month, expressed in kW; provided that the above product shall be subject to further adjustment to account for Actual Availability and Actual Starting Reliability pursuant to Special Condition 7.

Fuel Charge

For each month, the Fuel Charge shall be determined as follows (a negative Fuel Charge would reflect a payment due from Seller to Buyer resulting from overuse of Buyer-supplied fuel due to an excessive heat rate):

Fuel Charge = Gross Fuel Costs x Heat Rate Factor

Gross Fuel Costs = Monthly Fuel Quantity x Monthly Fuel Price

Monthly Fuel Quantity = Monthly metered usage of gas (MMBtu) for the Facility to generate power scheduled or requested by Buyer in accordance with the "Special Conditions" below, plus equivalent gas at the Guaranteed Heat Rate for any ISO imbalance energy. Such monthly metered usage of gas shall be determined based on the ratio of 1) the actual output of the Facility to supply Buyer's scheduled or requested energy (but not any energy generated in excess of Buyer's hourly schedules or real-time schedule changes) to 2) the actual total output of the Facility. Seller shall be solely responsible to acquire and pay for any and all gas used to generate energy other than Buyer's scheduled or requested energy.

Monthly Fuel Price = Gas cost ($/MMBtu) as determined pursuant to Special Condition 12.

Heat Rate Factor:

If Seller supplies gas:

Lesser of: 1.0, or (Guaranteed Heat Rate/Monthly Effective Heat Rate)

If Buyer supplies gas:

[Lesser of: 1.0, or (Guaranteed Heat Rate/Monthly Effective Heat Rate)]-1

Guaranteed Heat Rate = 10,000 Btu/kWh (with gas compression), or

9,500 Btu/kWh (without gas compression)

Monthly Effective Heat Rate = (Monthly Fuel Quantity/Monthly Scheduled Energy)

Monthly Scheduled Energy = Total energy during a month scheduled or requested by Buyer in accordance with "Special Conditions" for delivery by Seller from Unit(s) on Buyer's account

Variable O&M Charge

A monthly charge for Variable O&M shall be determined as the product of 1) the applicable Variable O&M Rate shown in Attachment 1 to this Exhibit and 2) the MWh of generation from the Facility delivered to Buyer during the month.

Fixed O&M Charge

A monthly charge for Fixed O&M shall be determined each month as the product of 1) the applicable Fixed O&M Rate shown in Attachment 1 to this Exhibit and 2) the Quantity in effect for the month, expressed in kW.

Delivery Period: June 1, 2002 through May 31, 2017.

Special Conditions: (1) See Cover Sheet to Master Agreement.

(2) Seller shall supply the Quantity to be delivered under this Transaction from the 43 MW LM600 combustion turbine power plant that Seller would be developing at a site within the city limits of the City of Lodi, California (the "Facility"), in accordance with the definition of the Unit Firm Product in Schedule P. The Facility shall include static catalytic reduction that will limit NOx emissions to 5 PPM. All emissions reduction credits required to operate the Facility at Contract Capacity during all Peak Period hours of the Delivery Period shall be provided by Seller. Seller shall obtain additional credits as needed for its own use of the Facility during non-Peak Period hours.

(3) Seller's obligations hereunder with respect to the energy to be supplied from the Facility are subject to and contingent on the Facility having achieved "commercial operation" before Seller is obligated to supply such energy. Buyer's obligations hereunder with respect to capacity and energy to be received from the Facility are subject to and conditioned on the Facility having achieved "commercial operation" before Buyer is obligated to pay the Contract Price or any portion thereof. The Facility shall be considered to have achieved said "commercial operations" on the Commercial Operations Date ("COD"), which is the date upon which Seller first certifies in writing to the Buyer that all of the following conditions precedent to the Commercial Operations Date have been satisfied:

(i) Seller has completed a Net Demonstrated Capacity Test for Peaking Facilities pursuant to Special Condition 4 that achieves an NDC of no less than 95% of Contract Capacity; and

(ii) Seller has received all necessary approvals, licenses, permits and emission reduction credits (if applicable) for operating the Unit at its NDC for all Peak Period hours in each calendar year in the Delivery Period (prorated on a daily basis in the event of a partial calendar year during the Delivery Period) for the term of the Agreement, except for final permits which Seller reasonably expects to obtain in the normal course and which are not required for Seller to fulfill its obligations pursuant to the Agreement.

(iii) Seller has obtained Buyer's written approval for the site location of the Facility.

(4) The contract Quantity for the Facility for purposes of determining the capacity payment shall be equal to the Net Demonstrated Capacity ("NDC") of the Facility, which will be established and updated from time to time by testing and adjustment pursuant to the procedures and requirements of the "Net Demonstrated Capacity Test for Peaking Facilities" attached hereto as Procedure 1.

(5) Call-Back Capacity is the amount, in MW, by which Seller may decrease the Quantity of the Product once in any 12-month period beginning June 1 (each a "Contract Year"), beginning with the Contract Year starting June 1, 2005; provided that the Call-Back Capacity shall: 1) be in one MW increments, 2) not exceed 22 MW, 3) not be reduced from one Contract Year to a subsequent Contract Year, and 4) not decrease the contract Quantity below 21 MW. Seller shall provide written notice to Buyer of the Call-Back Capacity amount for each affected Contract Year by the preceeding December 31.

(6) The Base Capacity Price shall be subject to a one-time adjustment to account for any difference between expected and actual costs for the following items related to the Facility: 1) gas pipeline and interconnection, 2) electrical transmission system interconnection, and 3) emission offset credits (in total, the "Nonfirm Cost Components"). The adjustment shall be equal to an increase or decrease of $0.05/kW-month for every $400,000 by which the actual cost of the Nonfirm Cost Components is greater or lesser, respectively, than $6,360,000; provided, however, that in no event may an adjustment increase the Base Capacity Price more than $0.30/kW-month.

(7) After the end of each month, the capacity payment paid or payable that month pursuant to the other terms of this Transaction (including Special Condition 6), shall be adjusted by the Actual Availability Factor (AAF) and the Actual Starting Reliability Factor (ASRF) to arrive at the Adjusted Capacity Charge (ACC).

Where:

ACC = [(Capacity payment paid or payable) x AAF x ASRF];

AAF = [1 + Lesser of [0 or (2 x (AA-TA))]];

ASRF = [1 + Lesser of [0 or (PSRF x (ASR-GSR))]];

AA = Actual Availability = (Summation of Hourly Availability Factors for Availability Hours) / (# of Availability Hours in month);

TA = Target Availability = .95 for the Summer Season or .92 for the Winter Season (the Summer Season is the Peak Period of the months June through October; the Winter Season is the Peak Period of the months November through May);

Availability Hours are all Peak Period hours in a month, other than hours during Scheduled Maintenance or excused by Force Majeure;

Hourly Availability Factor is determined for each Availability Hour as follows:

i) For hours in which Buyer has scheduled energy, the quotient of 1) energy actually delivered by Seller to Buyer from the Facility plus, if Buyer supplies Fuel, any scheduled energy that was undeliverable solely due to the non-delivery of gas, divided by 2) total scheduled energy;

ii) For hours in which Buyer has not scheduled energy, the quotient of 1) contract Quantity that was actually schedulable for delivery, divided by 2) contract Quantity;

PSRF = Period Starting Reliability Factor = 3 for Summer Season months and 1 for Winter Season months;

GSR = Guaranteed Starting Reliability = .95;

ASR = Actual Starting Reliability = Quotient of 1) successful starts made at the allowable request of Buyer during the current and prior 11 months, divided by 2) number of allowable start requests made by Buyer during the current and prior 11 months; provided that the ASR shall be deemed equal to the GSR until the first delivery month within which the day before the first anniversary of the COD occurs (if by such date Buyer has made at least 50 start requests, and if such number of start requests have not occurred by such date, the first delivery month within which the 50th request is made); and further provided that if the above 12-month period does not include at least 50 start-up requests, then the most recent 50 start-up requests shall be used to calculate ASR.

(8) Seller shall only be required to deliver the energy described in this Transaction if Buyer schedules energy from the Facility as provided herein. Subject to the terms and conditions set forth herein, Buyer may schedule such energy only for hours within the Peak Period (as hereinafter defined) and only up to the then applicable contract Quantity; provided, however, that the quantity of energy which is scheduled must: 1) comply with the ramp times, minimum run times, shut down times and other operating specifications of the manufacturer, 2) reflect ambient conditions, and 3) account for unavailability of the Facility due to Scheduled Maintenance, Forced Outage, or Force Majeure. Capacity not scheduled by Buyer shall be available for unrestricted use by Seller, as is capacity during other than Peak Period hours. As used herein, "Peak Period" means the hours from the hour ending at 0700 through to the hour ending at 2200, Pacific Time, Monday through Saturday, during the Delivery Period. Scheduling shall conform to ISO and WSCC standards.

Buyer shall schedule energy with Seller on a day-ahead basis by providing notice to Seller at least 60 minutes prior to the earlier of: 1) the day ahead scheduling deadline of the ISO or its successor, or 2) the daily gas supply nomination deadline; provided, however, that Buyer may make real-time schedule changes to the extent the Facility output has not already been

committed by Seller for sale to a third party or made unavailable due to Scheduled Maintenance. Buyer shall be responsible for any Fuel cost impacts or Fuel imbalance charges resulting from its real-time schedule changes, provided that Seller specified to Buyer at the time of Buyer's requested real-time schedule change the amount of such impacts or charges. To the extent any such costs are not identified by Seller and accepted by Buyer, all such costs shall be borne by Seller.

(9) Notwithstanding anything to the contrary herein, Seller shall arrange and be responsible for transmission service to the Delivery Point, if any, and shall obtain Schedule Coordinator services necessary to deliver the Product to the Delivery Point. Seller shall be responsible for all charges due to the CAISO, and entitled to receive all payments from the CAISO, related to deviations; provided that in the case of real-time schedule changes by Buyer resulting in generation in excess of the schedule with the CAISO, Buyer shall receive any payments from CAISO related to deviations.

(10) Seller shall be entitled to make the Facility unavailable for scheduling for up to fourteen (14) peak days per Contract Year as Scheduled Maintenance. Scheduled Maintenance hours shall not be included in the calculation of the Facility's Actual Availability. In no event may Scheduled Maintenance occur during the months of June through October, inclusive.

(11) Metering shall conform to ISO standards or the equivalent. Any generation meter multiplier (GMM) adjustments shall be for Buyer's account (i.e. notwithstanding any required GMM adjustments, Seller shall be deemed to have delivered the full metered amount of energy from the Facility).

(12) (i) Fuel Supply Plan. At least ninety (90) Days prior to the commencement of the next succeeding Fuel Supply Period, Seller shall provide for Buyer's approval a proposed Fuel Supply Plan for the next succeeding Fuel Supply Period. The Fuel Supply Plan shall provide information regarding, at a minimum, 1) expected Fuel requirements, 2) how Seller intends to obtain or provide Fuel and Fuel-related services such as transportation, distribution, storage and any other delivery services to account for particular commodity requirements, 3) an estimate of delivered gas costs and 4) any other special considerations such as financial risk issues. Seller should recognize that Buyer may have a portfolio of facilities for which it supplies fuel, and that it is in Buyer's interests to supply Fuel Manager Services to the Facility; thus, Seller's

proposed Fuel Supply Plan should include the appointment of Buyer as Fuel Manager for all Fuel deliveries to the Facility. The Parties may meet at mutually agreeable times prior to the next succeeding Fuel Supply Period to discuss any modifications to Seller's proposed Fuel Supply Plan that Buyer reasonably requests. Nothing in this Special Condition 12 shall be construed as obligating Seller to adopt a Fuel Supply Plan or to agree to any modifications to a Fuel Supply Plan that: (i) Seller reasonably believes could interfere with its ability to provide the Product from the Facility; or (ii) Seller reasonably believes, in its sole discretion, could potentially expose Seller to risks, including credit, market or delivery risks, or liabilities that Seller considers unacceptable. Any Extended-Term Obligation included in any Fuel Supply Plan shall be governed by Section (iv) of this Special Condition 12.

(ii) Parties' Failure to Execute Fuel Supply Plan. In the event the Parties do not agree to a Fuel Supply Plan by the sixtieth (60) day prior to the next succeeding Fuel Supply Period, Buyer may elect, at Buyer's sole option, to provide, or cause to be provided, for the next succeeding Fuel Supply Period, Fuel to the Facility from Buyer's own fuel purchases, and Fuel Manager Services. Buyer's election to provide, or cause to be provided, Fuel to the Facility and Fuel Manager Services under this Section (ii) of this Special Condition 12 shall be expressed in writing to Seller no later than thirty (30) Days prior to the commencement of the next succeeding Fuel Supply Period. Buyer's election to provide Fuel and Fuel Manager Services shall include a supply plan with the same detail contemplated for a Seller Fuel Supply Plan under Section (i), above, and will necessarily appoint Buyer as Fuel Manager. If the Parties do not agree on a Fuel Supply Plan and Buyer does not elect to provide Fuel to the Facility from Buyer's own fuel purchases, Seller will provide, from the Spot Market, Fuel necessary for the delivery of energy hereunder during the next succeeding Fuel Supply Period, or until the Parties have agreed to and executed a Fuel Supply Plan for such Fuel Supply Period, as well as Fuel Manager Services (at least until the next Fuel Supply Period). In the event the Parties have not agreed to and executed a Fuel Supply Plan, Buyer has not elected to provide Fuel to the Facility from Buyer's own fuel purchases, and Seller is unable, using commercially reasonable efforts, at any time during the Fuel Supply Period, to provide Fuel necessary for the delivery of energy hereunder from the Spot Market, then Buyer will provide Fuel necessary for the delivery of energy hereunder. In the event Seller is unable to provide Fuel necessary for the delivery of energy hereunder from the Spot Market, and Buyer is unable to provide Fuel necessary for the delivery of energy hereunder, such inability to provide Fuel shall constitute Force Majeure. Whenever Buyer is not Fuel Manager, Seller shall ensure that Fuel Manager provides Buyer, upon Buyer's request and to the extent such information is available, timely access to daily meter gas volumes for the Fuel relevant to Buyer's energy

and real time notifications of utility and/or account information that may affect the nomination and scheduling of Buyer's Fuel supplies.

(iii) Buyer Delivery of Fuel Notwithstanding Agreed Fuel Supply Plan. If Seller is unable to provide Fuel to the Facility during any Fuel Supply Period for which the Parties have executed a Fuel Supply Plan, Buyer may provide Fuel to the Facility.

(iv) Extended-Term Obligations. The Parties acknowledge that any Fuel Supply Plan may include obligations provided by either Party which extend beyond the applicable Fuel Supply Period ("Extended-Term Obligations"). Extended-Term Obligations may include, but are not limited to, long-term commitments for pipeline capacity, storage rights, or financial risk products pertaining to the commodity price (such as fixed prices, costless collars, basis purchases, caps, or other price management mechanisms). Any Extended-Term Obligation that the Parties specifically approve in a separate letter agreement of approval shall be deemed effective and approved for the duration of the period to which it applies, regardless of whether such period extends beyond the term of any Fuel Supply Plan. For the avoidance of doubt, if Buyer is providing Fuel from Buyer's own fuel purchases or if Seller is providing Fuel on the Spot Market pursuant to Section (ii) above, such provisions must be consistent with, and are limited by, the terms of any Extended-Term Obligations that the Parties have specifically approved in a separate letter agreement of approval. Within forty-five (45) Days prior to the termination of a Fuel Supply Plan, Buyer may assume all effective and approved Extended-Term Obligations (except for Seller's firm transportation rights) provided that Buyer obtains a release from the counter party to the Extended-Term Obligations releasing Seller from any future obligations Seller has with regard to such Extended-Term Obligations.

(v) Fuel Price. The Monthly Fuel Price shall be calculated as the average cost of Fuel delivered to the Facility to generate energy as scheduled or requested by Buyer, including Extended Term Obligations, for a month, such Fuel being obtained either 1) under a Fuel Supply Plan, 2) by Seller on the Spot Market, or 3) by Buyer, as applicable. Buyer shall be solely responsible, without reimbursement from Seller, for any costs or charges imposed on or associated with Fuel it provides to the Facility pursuant to Sections (ii) and (iii) above. In the event Buyer provides Fuel Manager Services for the Facility, Seller shall pay Buyer an appropriate and customary fuel management fee.

(vi) Fuel Imbalances. Seller and Buyer shall each be responsible for any fuel imbalances that each causes; provided, however, that if Seller is providing Fuel pursuant to this Special Condition 12, Seller shall arrange and deliver Fuel to accommodate Buyer's rights to dispatch at a minimum of two (2) hours per dispatch and at least two (2) dispatches per Day, as

scheduled on a day-ahead basis to be achieved without the incurrence of any penalties. Any natural gas imbalance penalties that are invoiced to Buyer require documentation of penalty assessment by a non-related third party, attributable to Buyer's dispatch of Energy from the Facility on the Day(s) applicable to the imbalance determination, and conditioned upon any Fuel Manager's reasonable efforts to minimize such imbalance charges.

Option Buyer: N/A

Option Seller: N/A

Type of Option: N/A

Strike Price: N/A

Premium: N/A

Exercise Period: N/A

This confirmation letter is being provided pursuant to and in accordance with the Master Power Purchase and Sale Agreement dated _____, 2001 (the "Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

City of Lodi	State of California Department of Water Resources separate and apart from its powers and responsibilities with respect to the State Water Resources Development System
By: _____	By: _____
Name:	Name: Thomas M. Hannigan
Title:	Title: Director
Phone No:	Phone No: (916) 653-7007
Fax:	Fax: (916) 653-0943

Attachment 1 to Confirmation Letter for 2001B Transaction
Between City of Lodi and CDWR

Effective Date	Variable O&M Rate ($/MWh)	Fixed O&M Rate ($/kW-mo)
6/1/2002	$3.00	$1.82
6/1/2003	$3.09	$1.87
6/1/2004	$3.18	$1.93
6/1/2005	$3.28	$1.99
6/1/2006	$3.38	$2.05
6/1/2007	$3.48	$2.11
6/1/2008	$3.58	$2.17
6/1/2009	$3.69	$2.24
6/1/2010	$3.80	$2.31
6/1/2011	$3.91	$2.37
6/1/2012	$4.03	$2.45
6/1/2013	$4.15	$2.52
6/1/2014	$4.28	$2.59
6/1/2015	$4.41	$2.67
6/1/2016	$4.54	$2.75

PROCEDURE 1

2001B Transaction
Net Demonstrated Capacity Test for Peaking Facilities

Test Procedure and Schedule

Seller shall prepare and submit its written, proposed test procedure and schedule to Buyer no less than fifteen (20) business days before the proposed test date for Buyer's acceptance and, within ten (10) business days of such submittal, Buyer and Seller shall meet to review and discuss the proposed test procedure and schedule. Except for the initial test, Buyer and Seller may waive such meeting by mutual agreement.

Within five (5) business days of such meeting or waiver thereof, Buyer shall submit either its written acceptance or revision, including the reasons for any revisions, of the proposed test procedure and schedule to Seller. The failure by Buyer to submit timely such written acceptance or revision shall constitute acceptance of the proposed test procedure and schedule by Buyer. Such accepted or revised test procedure and schedule shall be the approved test procedure and schedule.

Seller shall provide written notice to Buyer of any changes to the approved test procedure and schedule and the reason(s) therefore as soon as reasonably practicable, such changes being subject to Buyer's approval.

The proposed and approved test procedures shall comply with the requirements of Section 3 of the Performance Test Code ASME PTC 22-1997 for Gas Turbine Power Plants or its successor ("PTC 22").

Annual Scheduling Requirement

A successful test is required to be performed once per calendar year. The initial successful test is required to be performed not less than five days prior to COD and subsequent successful tests are required to be performed between May 1 and May 31 in each Contract Year thereafter. For all tests after COD, Seller and Buyer, to the extent possible, shall schedule such tests during periods in which Buyer has Scheduled the Facility to operate.

A successful test is also required to be performed as soon as reasonably practicable after any change to the Facility that is reasonably expected to change the then-current NDC of the Facility by at least 10% and such change is reasonably expected to last for at least six (6) months. If the timing of such a required test shall occur reasonably close to the timing of a required annual test, a single test may be conducted to satisfy both requirements. In addition, each of Buyer and Seller may request up to two additional tests per calendar year during the Delivery Period (at any time) utilizing these procedures.

Test Conditions

A. Start-Up and Stabilization Period

Prior to the start of the test, the Facility shall be started, synchronized and brought to full load using normal start procedures and then operated continuously at full load for as long as it is necessary, but in no case for no less than one hour, for all measured parameters to achieve stable, normal conditions such that any variations in such parameters will be within the tolerances provided in Table 3.3.3 of PTC 22.

B. Operating Personnel

The Facility shall be operated by Seller's operating personnel (whether employees of Seller or Seller's operating contractor) and no one else, including, but not limited to, representatives of (i) any manufacturer or supplier of the Facility's equipment, (ii) any provider of engineering or design services related to the Facility, (iii) any provider of construction services related to the Facility, or (iv) any third party consultant.

C. Duration

The duration of the test shall be four (4) continuous hours, which shall commence only upon satisfactory completion of the Start-Up and Stabilization Period.

D. Operating Procedures and Conditions

At all times, the Facility shall be operated in compliance with the approved test procedure, Prudent Utility Practice and all operating procedures recommended, required or established by (i) the manufacturer or supplier of the Facility's equipment (ii) the firm(s) that engineered and designed the Facility and (iii) the contractor(s) that constructed the Facility. Any tests during which such compliance is breached shall be deemed invalid and not to have occurred.

At no time during the test shall the Facility be subject to disruptions or abnormal conditions including, but not limited to, any (i) unstable conditions, (ii) equipment, operating, or regulatory restrictions, or (iii) changes in load from full load other than those fluctuations naturally arising from variations in ambient temperature. Should any such disruption be encountered during a test, the test shall be restarted or rescheduled.

E. Applicable Laws and Permits

At all times, the Facility shall be in compliance with all applicable laws, regulations and permits, including, but not limited to, those governing safety and air and water emissions. Any tests during which such compliance is breached shall be deemed invalid and not to have occurred.

F. Data Collection

At a minimum, the following parameters will be measured and recorded simultaneously at no greater than five minute intervals:

(a) Instantaneous ambient relative humidity (%)

(b) Instantaneous ambient barometric pressure (inches Hg)

(c) Instantaneous ambient temperature (°F)

(d) Net output since last measurement at the Delivery Point (kWh)

(e) CEMS data required per air permit

(f) Turbine speed (rpm)

(g) Turbine temperatures (°F)

(h) Turbine pressures (psig)

Upon mutual agreement of the parties, additional parameters may be measured and recorded simultaneously with the required parameters. Such additional parameters may include for example, gross generator output and fuel consumption, and such additional measurements may be used only to determine whether or not any abnormal condition occurred during the test.

G. Instrumentation and Metering

At its own cost, Seller shall provide all instrumentation, metering and data collection equipment required to perform the test. Wherever possible, the instrumentation, metering and data collection equipment that will be used after the Facility achieves COD for monitoring and controlling the operation of the Facility and collecting the data required for Seller to prepare and submit its monthly invoice to Buyer shall be used for the test. At its own cost, Seller shall calibrate or cause to be calibrated all such instrumentation, metering and data collection equipment no more than three (3) months prior to the date of the test. All Electrical Metering Equipment shall be in compliance with CAISO Requirements including, but not limited to, those relating to certification and calibration.

Adjustments to Data and Calculation of NDC

Seller shall perform the calculation of NDC using the test data subject to the following adjustments:

The net output for each data point shall be adjusted to Site Standard Conditions by first adjusting for differences, if any, between the instantaneous ambient barometric pressure for that data point and Site Standard Conditions using the formula attached hereto as Table 1 of Procedure 1, and adjusting that result for differences, if any, between the

instantaneous ambient temperature for that data point and Site Standard Conditions using the manufacturer's certified performance curve for the Facility's generating equipment. No adjustment shall be made with respect to relative humidity.

Using the resulting net output data from this sequential, two-step adjustment process, the average net kW output at Site Standard Conditions at the Delivery Point shall be calculated for each of the sixteen (16) consecutive fifteen (15) minute intervals comprising the test. The lowest of the sixteen average net kW values thus calculated shall be the NDC.

Test Reports

Within ten (10) business days after the completion of the test, Seller shall prepare and submit to Buyer a written report of the test in accordance with Section 6 of PTC 22. At a minimum, the report shall include (i) the approved test procedure, (ii) a record of the personnel present for the test whether serving in an operating, testing, monitoring or other such participatory role, (iii) documentation of the satisfactory completion of the start-up and stabilization period, (iv) a record of any unusual or abnormal conditions or events that occurred during the test and any actions taken in response thereto, (v) the unadjusted data, (vi) a verification of the validity of the test in accordance with Section 3.5.1 of PTC 22, (vii) the adjusted data with supporting calculations, (viii) NDC with supporting calculations, and (ix) Seller's statement of either Seller's acceptance of the test or Seller's rejection of the test and reason(s) therefore. Within ten (10) business days after receipt of such report, Buyer shall notify Seller in writing of either Buyer's acceptance of the test or Buyer's rejection of the test and reason(s) therefore.

Test Acceptance and Re-Testing

If Seller and Buyer both accept a test, the NDC shall be updated to reflect the results of such test effective upon the first day of the month following the month in which Buyer receives Seller's test report.

If Seller is unable to complete a test for any reason, it shall be permitted to reconduct such test.

If either Seller or Buyer reasonably believes an abnormal condition occurred which may have adversely impacted a completed test, such party may request and shall receive a re-test.

If, following two completed re-tests, Seller and Buyer cannot agree that the original test and two re-tests produced accurate, reliable and usable results, the parties shall hire an independent engineer to observe a third re-test and, after considering the data and records from the original test and three re-tests, to declare the NDC of the Facility. The cost of such independent engineer shall be shared equally by the parties.

However, if, following two or more completed re-tests, Seller and Buyer do agree that the most recent test produced inaccurate or unreliable results, the parties may, but are not required to, hire such an independent engineer.

Cost and Revenue

For all tests prior to COD, the energy produced by Seller from the Facility shall be scheduled by Seller into the CAISO controlled grid and Seller shall bear all costs for such tests and receive all revenues from the sale of such energy.

For all tests after COD, Seller and Buyer shall use commercially reasonable efforts to schedule such tests during periods in which Buyer has Scheduled the Facility to operate. If unable to be so scheduled, then the energy produced by Seller from the Facility shall be scheduled by Seller into the CAISO controlled grid and Seller shall bear all costs for such test and receive all revenues from the sale of such energy.

TABLE 1 OF PROCEDURE 1

2001B Transaction

BAROMETRIC PRESSURE ADJUSTMENT FORMULA

MW (adjusted) = MW (observed) * [Standard barometric site pressure/Observed barometric site pressure]

Where, for the Lodi site (_____ famsl):

Standard barometric site pressure = _____ in. Hg

Example adjustment calculation:

Observed site conditions and output on day of test/operations:

Power output	42,700 kW
Barometric pressure	30.02 in. Hg

Barometric pressure adjustment calculation:

MW(corrected) = 42,700 kW * (_____/30.02)
MW(corrected) = 42,700 kW * ._____
MW(corrected) = _____ kW

RESOLUTION NO. 2001-245

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY MANAGER TO EXECUTE EXHIBIT "B" OF THE MASTER POWER PURCHASE AND SALE AGREEMENT BETWEEN THE CITY OF LODI AND THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES

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WHEREAS, for nearly five months, City staff and the State of California Department of Water Resources (DWR) have been negotiating the terms and conditions o the development of a peak power generating plant to be located with the City limits of Lodi. DWR purchases power for two of the State's largest investor-owned utilities as a result of the "meltdown" of California's power markets at the beginning of the year; and

WHEREAS, DWR has determined that the State would benefit from additional peak generating capacity and City staff has determined that an appropriately designed and located peaking facility would be advantageous to the reliability and energy security of City of Lodi electric customers; and

WHEREAS, City staff is now seeking Council approval to proceed with the development of a 43-45Mw peaking power generating facility with the Lodi City limits. The basic parameters of the transaction is as follows:

- Lodi would develop the new peaking plant.
- Lodi would finance the plant through the issuance of bonds.
- Lodi would own and operate the plant.
- Lodi will retain the right to recall up to 22Mw of capacity commencing July 1, 2005.
- DWR would pay Lodi a fixed and variable monthly amount for the fifteen (15) year term of the agreement.
- DWR would supply the fuel or pay Lodi to supply the fuel for the plants output.
- After the fifteen (15) year term of the agreement, the plant output would belong to Lodi without further obligation to DWR; and

WHEREAS, City staff respectfully requests City Council authorization for the City Manager to execute Exhibit B – Master Power Purchase and Sale Agreement Confirmation Letter (2001 B Transaction – Peaking Capacity) between the City of Lodi and DWR. Exhibit B is in substantially final form. It should be noted that Council's authorization of Exhibit B is contingent upon an appropriate site being located within the City limits of Lodi as contemplated under all appropriate provisions of the California Environmental Quality Act. Additionally, Council's authorization is contingent upon the City's ability to finance the project; and

WHEREAS, the Electric Utility Department respectfully requests City Council authorization for the City Manager to execute Exhibit "B" of the Master Power Purchase and Sale Agreement.

NOW, THEREFORE, BE IT RESOLVED, that the Lodi City Council does hereby authorize the City Manager to execute Exhibit "B" of the Master Power Purchase and Sale Agreement between the City of Lodi and the State of California Department of Water Resources presented here in substantial final form.

Dated: October 30, 2001

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I hereby certify that Resolution No. 2001-245 was passed and adopted by the City Council of the City of Lodi in a special meeting held October 30, 2001 by the following vote:

AYES: COUNCIL MEMBERS – Hitchcock, Howard and Mayor Nakanishi

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Land

ABSTAIN: COUNCIL MEMBERS – Pennino

SUSAN J. BLACKSTON
City Clerk